U.S. Department of Agriculture
Office of the Secretary

For Immediate Release

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EXPORT POLICIES FOR THE EIGHTIES

The soybean is, of course, unique as a growth industry in American agriculture. This is basic to any consideration of problems and opportunities for expanded trade.

Before 1930, the total U.S. soybean crop was less than 10 million bushels. By the early 1940's, production had climbed above 100 million bushels. Since then, we have had a doubling of production every 8 to 12 years.

In recent times, one-half of that production has gone into export--either in the form of beans or as products. In the new marketing year beginning next month, that proportion will be even higher--perhaps approaching 60 percent.

In 1979/80, U.S. exports of soybean meal are estimated at a record 6.8 million tons. Exports in the new marketing year, 1980/81, will fall off perhaps to 6.2 million tons, but this will still be a third higher than our meal exports 5 years ago.

Over a 5-year period, the rate of growth in meal exports is about equivalent to the rate of growth in crop production. U.S. exports of soybean oil have increased at an even more rapid rate. Oil exports have doubled from where they were five years ago.

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Remarks of ~~Dale E. Hathaway~~, Under Secretary of Agriculture for International Affairs and Commodity Programs before the annual meeting of the National Soybean Processors Association, Pebble Beach, California, ~~August 12, 1980~~.

Obviously, a continued growth in exports is necessary to support an expansion in U.S. soybean production. And, of course, the reverse is true. Progressively larger crops will be required to take advantage of growing opportunities in international trade.

Soybeans are in some ways unique as a growth commodity in contrast to, say, wheat:

For one thing, soybeans are exceptionally rich in nutrient value -- useful in the creation of a great variety of feed and food products, many of which have not yet been invented or perfected.

Secondly, soybeans are a commodity where world markets have remained more open than for most agricultural commodities. Because of relatively free entry into major markets, the price of the commodity affects the amount of soybeans that people use. Users have many options -- both in substituting competitive products and in reducing the total use of proteins, as in the feeding of poultry and livestock.

Looking ahead, we can foresee a substantial growth in demand for protein. We envision a high elasticity reflecting the growth in personal incomes. Therefore, we can look forward to the opportunity for expanded international trade in the soybean complex.

It seems clear that, for the agricultural market as a whole, exports in the 1980's will represent an even greater influence than they have in the recent past. For one thing, the population growth rate outside the U.S. is higher than that for the United States. Also, our rate of income growth has lagged recently, indicating that dietary levels will not be improving as rapidly as would be the case with higher growth in real income.

It is also true that U.S. consumption levels are for the most part already high in terms of both calories and quality, relative to other countries, even those that are economically developed. Obviously, if a country consumes 43 pounds of red meat per person, as the Japanese do, that market represents more potential for growth than a people who already consume four times that much, as we do in the United States.

Hence the opportunity for market growth in soybeans and products will hinge importantly on our ability to expand outlets abroad. There are, of course, problems:

(1) One is the general slowdown in world economic growth. While the United States and Great Britain are the only major industrial countries with declining economies in 1980, economic growth in most other countries is much slower than last year. Slowing economies often generate a growth in trade protectionism. Any growth in trade restrictions would be likely to affect trade in soybeans and soybean products.

(2) In the longer term, much of the growth in demand for U.S. farm products is likely to occur in economies that use state buying mechanisms. Buying by a central agency means that decisions are less sensitive to world price changes. This is likely to contribute to greater instability in market prices as the role of such countries in world soybean markets increases.

(3) There is also the problem of maintaining a competitive position in a world where new suppliers are coming into the market with large potentials for production, processing, and trade. While the United States has moved back up to a level where we account for 80 percent of the world's soybean trade, we are falling behind Brazil as an exporter of soybean meal. Argentina, while not much of a factor

in the meal market, has come on strong in the last 5 years to move well ahead of Brazil as an exporter of beans. We expect Argentina to export almost 2-1/2 million tons of soybeans this season. There are also reports of large soybean plantings in Paraguay and Uruguay.

There are three things we need to do to meet this challenge from South American countries. We need to concentrate on market development. We need to continue our attention to product quality. And we need to maintain our position as a dependable supplier.

With these needs in mind, the U.S. Government strongly supports the efforts of the American soybean processing industry to establish a Soybean Meal Export Development Program. We believe strongly in voluntary industry action to improve relations with overseas customers, to improve the conditions under which its products are shipped, and to standardize technical characteristics of those export products.

Steps taken by this industry, beginning with inspection tours of loading facilities in 1978, show great promise in determining the validity of complaints and meeting those complaints with constructive action.

Of special note are the trading rule changes which establish new standards and procedures for blending and sampling of export-bound soybean meal, recommendations leading to action to amend GAFTA (Grain and Feed Trade Association) contracts, research to improve quality determination, and an educational program to acquaint U.S. and European officials with soybean processing and export procedures.

These actions have brought a definite improvement in understanding and goodwill among oilseed trading partners as well as competitors. This

has occurred in a period of only two years, and I think it can be credited to the willingness of American soybean processors to join with their friends in other parts of the world to resolve different views as to how the process of trading can be improved.

Such improvements in the technical and mechanical aspects of trading depend, of course, on a continued U.S. commitment to its position as a reliable supplier. The nature of our product makes it especially important that confidence be preserved in the minds of our customers -- confidence that we will continue to produce and supply soybeans and soybean products in abundance, at fair market prices, and in the quality desired by users.

No one wants to build a large scale livestock industry based importantly on soybean meal -- then find that this product is subject to a lack of supply availability. Such a customer, once burned, will certainly take whatever steps necessary to assure that his needs be covered. And those steps are almost certain to be damaging to the unfaithful supplier.

That brings us to a subject that is much in the political and public mind. I refer to the partial suspension of U.S. exports of farm products to the Soviet Union -- in effect since January 4. That action, I wish to emphasize, was in no sense a violation of our policy of supply dependability. And it does not threaten our reputation as a supplier.

Certain points should be made:

(1) The partial suspension was applied to a situation so unique--the brutal invasion of a neighboring country--that one could hardly visualize such a circumstance involving a country other than the Soviet Union.

(2) The President's alternatives were severely limited. It would be unrealistic to argue that the Soviets' action in Afghanistan represents a severe threat to world peace -- and to say simultaneously that we will ignore that fact and continue to help the aggressor to strengthen his economy through normal trade.

(3) The embargo has been effective in achieving the goal intended--to deliver a rebuke to the Russians, to frustrate their plans, to worsen the discontent of the people there, to embarrass and inconvenience their leadership. This is a limited objective -- and it has been achieved.

(4) The effect on soybean trade has been minimal. In 1979, the USSR imported 1.8 million tons of soybeans from the United States -- an amount that is very small in relation to U.S. production and world trade in soybeans and products. No realistic person would argue that the suspension was responsible for declines in soybean oil and meal prices.

(5) Nor can the suspension be blamed for depressed prices in commodities this spring. The U.S. Government acted immediately to stabilize prices through direct purchases, the assumption of cancelled contracts, and incentives for farm storage. And I would argue that this government, through these and other actions, has more than compensated for any negative impact on farmers from the suspension.

(7) Finally, there is no evidence that our trading partners world-wide think of the suspension as anything but what it was -- an action taken on principle to make it plain to an aggressive superpower that it could not with impunity threaten the peace of the world. There is no indication that our reputation for supply dependability has been at all compromised in the eyes of our customers.

It is true that U.S. farm prices fell off some this spring. Why did this happen?

Grain prices fell because of record levels of production, tight credit, transportation problems, and any psychological impact that may have resulted from the grain suspension. We do recognize that it also took some time for administration actions to become effective in offsetting the impact of the grain suspension.

Soybean prices fell because of the record size of the crop last year in this country and the record crop in Brazil. Other farm prices fell because of heavy supplies of pork and poultry that undercut the demand for beef, high interest rates that discouraged inventory buying, and the impact on other commodity prices when the silver market collapsed.

U.S. soybean exports in the marketing year now ending will total a record 23.1 million tons. We project the following year at somewhere near the same level -- perhaps 3 million tons above 1978/79. Total farm product exports are far and away beyond last year's record value of $32 billion. Our May projection set exports this fiscal year at $38 billion, and everyone close to the subject is certain that our August 20 projection will be appreciably higher.

Soybeans will continue to move with demand. We foresee no serious threat of new trade restrictions on soybeans. The only likelihood of any new threat to our soybeans would be as a retaliation for a U.S. restriction on a major non-agricultural item now being imported into this country. Thus, soybean producers and processors have good reason to support an open trade policy since they are likely to be a prime target of retaliation if there are substantial import restrictions on major industrial items.

Our present policies are working well, we believe, because they reflect the needs of farmers for expanded foreign markets. They make certain that we will be competitive in world markets, and they insure our dependability as a reliable supplier in good and bad crop years.

We in government appreciate the fact that a measurable part of the expansion of U.S. soybean trade has been the result of U.S. industry investment overseas. Members of your association have introduced your products into every corner of the globe. As new countries emerge, they come to us for assistance to facilitate economic development and insure access to supplies. We will use these opportunities to strengthen our partnership with your association to assure that soybeans and products receive early and full consideration in trade expansion.

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